TAPInternational

Desk Review of Valley Water Grant Management

Brief

February 13, 2020

INDEPENDENT AUDITOR OVERVIEW

In 2017, the Santa Clara Valley Water District (Valley Water) Board of Directors approved the selection of its first independent auditor, TAP International. TAP International reports and is accountable to the Board Audit Committee and the full Board of Directors. The Board of Directors initiated an independent audit function to support their efforts to advance open and accountable government through accurate and objective audits; and assessments that seek to improve the economy, efficiency, and effectiveness of Valley Water.

As described in Valley Water's Request for Proposal and subsequently required under the contract executed in 2018, the scope of services required of the Independent Auditor include:

- Provide advice and recommendations on audits of government programs.
- Develop an annual audit program, calendar, and budget.
- Conduct audits as directed by the Audit Committee.
- Prepare and deliver formal and informal audit reports and presentations.
- Attend Audit Committee and Board meetings.
- Meet with District staff as needed.
- Provide additional staff resources as determined by the Audit Committee.
- Conduct certain audits as directed by the Board.

WHY A DESK REVIEW WAS CONDUCTED

In October 2019, the Board of Directors discussed amendments with Valley Water staff to multiple grant agreements that would extend the time and/or add funding to existing agreements. In subsequent discussions between the Independent Auditor and the Board Audit Committee about the efficiency and effectiveness of the grant management process, the Board Audit Committee requested the Independent Auditor conduct a limited review that would assess the need to complete a comprehensive performance audit of Valley Water's grant management and administration. The Board Audit Committee specifically requested that the Independent Auditor contact and receive feedback from grantees about Valley Water's grant application, award, and reimbursement processes. This review did not examine sponsorship activities.

HOW THE WORK WAS CONDUCTED

To perform the limited review, the Independent Auditor conducted the following procedures:

- Randomly selected and contacted 10 grant recipients from Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019). Six of the 10 grant recipients contacted agreed to provide feedback to the Independent Auditor about Valley Water's grant application, award, and payment processes.

- Randomly selected 19 of 50 grant agreements awarded to organizations by Valley Water other than to a public agency. These agreements were identified from Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019). The review evaluated the frequency of awarding grants to the same organization to help identify any potential risks about the award process. The value of the 19 grant agreements totaled approximately $3 million.

The work performed does not constitute a performance audit. Had a performance audit been performed, audit activities would have included procedures to develop sufficient evidence to draw conclusions regarding the efficiency, effectiveness, and economy of Valley Water grant management and administration. Examples of these procedures include:

- Assessment of internal controls,
- Examination of the reliability of the data received by Valley Water,
- Detailed review of grant management awards,
- Assessment of Valley Water grant management policies and procedures, and
- Review of compliance to grant agreements.

RESULTS

Grant Application

The grant recipients participating in this limited review reported different experiences with the grant application process. For example, one grant recipient reported having no recollection of having to respond to an RFP, while others reported that the grant application process was challenging and time-consuming, especially on applications with short submittal deadlines.

Grant Award

- The grant recipients participating in this limited review also reported different experiences with the grant award process as follows:
  - Almost all reported had a moderate to high satisfaction with the timeliness of the award process and the timeframes established for completing the deliverables.
  - A few of the grant recipients reported concerns about Valley Water cutting funding after the award, which adversely affected program implementation and program results.
- Our review of 19 grant agreements shown in Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019) identified potential risks that may require further review.
  - One nonprofit organization received multiple awards in the same year. For this

organization, four awards were granted, valued at about $480,000.

- Further review of the grant application process may be needed regarding disclosures submitted by the applying organization.
- Two organizations on the list of the 19 grants that we reviewed and named on the Valley Water's list of "in-process" grants are incorrectly identified. Based on information reported by the original grant recipients, the current grant recipients assumed control of the grants in 2016 and 2017. Generally, changes in ownership applicable to a grant agreement or contract should be reported, reviewed, and approved by Valley Water so that grant agreement information can be updated.

Grant Reimbursement

Most of the grantees we interviewed were low to moderately satisfied with the timeliness of invoice payment. According to Valley Water practices, reimbursement to grantees should be issued after completion of a deliverable. When grantees submit invoices for approval even with supporting documentation, lengthy payment delays reportedly occurred, ranging from six months to up to 18 months. At Valley Water, invoices are approved by program staff before payment by Financial Planning and Management Services. Grantees had explained that little or no information was provided by Valley Water about the delays. When information was provided, Valley Water program staff attributed the delays to staffing or other structural changes.

NEXT STEPS

The Chair of the Board Audit Committee should consider placing on the next Board Audit Committee meeting agenda the following item:

1. Discussion and approval to forward a request to the Board of Directors to conduct a comprehensive performance audit to assess the efficiency and effectiveness of Valley Water's grants management program. This performance audit should focus on the grant application, evaluation and award activities, scope of work development, and grant administration.